



STATE OF MARYLAND

Office of Health Services
Medical Care Programs

PT 3-06

DHMH

Maryland Department of Health and Mental Hygiene
201 W. Preston Street • Baltimore, Maryland 21201

Robert L. Ehrlich, Jr., Governor - Michael S. Steele, Lt. Governor - S. Anthony McCann, Secretary

MARYLAND MEDICAL ASSISTANCE PROGRAM Nursing Home Transmittal No. 194

July 14, 2005

TO: Nursing Home Administrators

FROM: Susan J. Tucker, Executive Director
Susan J. Tucker
Office of Health Services

NOTE: Please ensure that appropriate staff members in your organization are informed of the contents of this transmittal

RE: **Fiscal Year 2006 Interim Rates for the Period July 1, 2005 – August 31, 2005**

Enclosed are Fiscal Year 2006 interim rates for your facility which will become effective with payments for services provided on July 1, 2005 and remain in effect for services provided through August 31, 2005. The rates are based on Regulation .07 Payment Procedures - Maryland Facilities under COMAR 10.09.10 Nursing Facility Services, in accordance with amendments proposed to become effective July 1, 2005 and remain in effect through August 31, 2005. Rates for the balance of the fiscal year, September 1, 2005 through June 30, 2006 will be established after consideration of additional input from provider representatives.

Please check the provider number at the top of the enclosed rate letter to ensure that you have received the correct data. A copy of these rates should be furnished to your accountant or bookkeeper for setting up your accounts.

Interim rate calculations are based on the cost report data you submitted for the fiscal year ending any month in 2004 (i.e., fiscal year end dates January 2004 - December 2004). All cost reports have been indexed forward to December 2005 for interim rate calculations. Capital reimbursement is based also on the debt and lease information furnished to Clifton Gunderson LLP. Any significant changes in the provider's capital status (e.g., exercise of lease option to purchase) should be reported to Clifton Gunderson LLP immediately.

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I. Change in Reimbursement for Medicare Coinsurance Days

In Fiscal Year 2006, there will be important changes in billing for Medicare Part A coinsurance days. In general terms, the Medicaid Program will begin paying only the difference between what Medicare paid and what Medicaid would have paid for day 21 through day 100 of a dually eligible recipient's Medicare paid stay in a nursing home. Therefore, for services on or after July 1, 2005, billing and reimbursement for Medicare coinsurance days, revenue code 0101, will change.

II. Increase in Patient Personal Needs Allowance

Effective July 1, 2005, the Personal Needs Allowance for Medicaid nursing home recipients will increase to \$62 per month for individuals and \$124 per month for couples.

III. Providers Electing Statewide Average Payment

For those providers with less than 1,000 days of care to Maryland Medicaid recipients, that elected not to submit a cost report and accept as payment the statewide average Medicaid nursing home payment for each day of care during Fiscal Year 2006 (COMAR 10.09.10.13N), the payment rate is \$187.05

IV. Occupancy Standard

Regulations define the applicable fiscal year occupancy standard as the statewide average occupancy, based on providers' cost report data, plus 1.5 percent. An analysis of providers' Fiscal Year 2004 cost report data, adjusted to omit providers with occupancy waivers during their 2004 fiscal year, indicates a statewide occupancy level of 89.3 percent. Therefore, the occupancy standard that will be applied to the Administrative/Routine, Other Patient Care and Capital cost centers during Fiscal Year 2006 is 90.8 percent.

V. Nursing Service Cost Center

A. Recalibration of Nursing Hours

As prescribed by regulations, nursing hours are recalibrated each fiscal year based on data from the fiscal year wage survey. Updated system-wide acuity data is used for this analysis. The recalibration process for Fiscal Year 2006 was based on the November 2004 wage survey as follows:

1. The time added to reimbursement calculations is the difference between the time measured by the November 2004 wage survey, 3.7438 hours, and the time measured by the November 2003 wage survey, 3.7096 hours. This differential, .0342 hours, is an increase of 0.9 percent in total hours. The added time is a sum of -.0002 DON hours, -.0419 RN hours, +.0518 LPN hours, +.0861 NA hours and -.0617 CMA hours.
2. The time for each personnel category in each of the levels of care was adjusted by

the percent change in time for that personnel category. This process adds time to the days of care in proportion to the time they require, e.g., more time is added to a heavy care day than a light care day.

3. The final result of the recalibration process is as follows:

PROCEDURE	HOURS	DON %	RN %	LPN %	NA %	CMA %
LIGHT	2.2103	0.0211	0.1164	0.2777	0.4388	0.1460
MODERATE	3.4255	0.0157	0.1070	0.2025	0.5909	0.0840
HEAVY	4.1492	0.0128	0.0996	0.2248	0.6003	0.0625
HEAVY SPEC	4.1492	0.0128	0.0996	0.2248	0.6003	0.0625

B. Nursing Wages, Fringe Benefits, Indexes & Supplies

In addition to the recalibration of hours, Fiscal Year 2006 nursing rates are based on:

- Wages as reported during the November 2004 wage survey;
- Regional fringe benefit factors, calculated from providers' cost report data, as follows:

BALTIMORE	31.13%
WASHINGTON	30.59%
NON METRO	31.49%
CENTRAL	30.25%
WEST MD	38.96%

- The indexes based on changes in wages from the January 2003, November 2003 and November 2004 wage surveys, used to project 75th percentile regional wages with fringes from November 2004 to December 2005;
- A daily supply cost of \$3.28, a decrease of \$.02 from Fiscal Year 2005;
- An increase in the supply costs for tube feeding from \$4.23 to \$4.32 per day; and
- An increase in supply costs for decubitus ulcer care from \$.77 to \$.79 per day.

C. Nursing Rates

Based on the recalibration of hours, wages, fringe benefits, indexes, and supplies, Fiscal Year 2006 regional nursing rates have changed by the following percent as compared to Fiscal Year 2005:

BALTIMORE	+ 2.31%
WASHINGTON	+ 5.89%
NON METRO	+ 2.50%
CENTRAL	+ 6.73%
WEST MD	+10.01%

A list of the regional standard nursing service rates is attached. It should be noted that Decubitus Ulcer Care (like Tube Feeding) has two entries: Decubitus Ulcer Care - Medicaid, for which nursing care and supplies are billed; and Decubitus Ulcer Care - Medicare, for which nursing care only is billed since Medicare reimburses for the supplies.

D. Nursing Recovery

Providers that are projected, based on their Fiscal Year 2004 cost reports, to spend less than full reimbursement in the Nursing Service cost center have had their interim nursing rates reduced by 95 percent of the per diem amount projected to be recovered. This calculation allows for nursing profit up to 4.0 percent of reimbursement based on standard nursing rates for those providers with nursing costs less than reimbursement. The sum of reimbursement and profit cannot exceed reimbursement based on standard per diem nursing rates.

The attached rate letter indicates the amount of nursing recovery deducted from interim nursing rates. Providers can request a rate change if documentation of increased nursing costs will increase their reimbursement in the Nursing Service cost center by 2 percent or more.

VI. Administrative/Routine Cost Center

Fiscal Year 2006 ceilings are set at 112 percent of the median day cost. The ceilings have changed as follows:

REGION	FISCAL YEAR 2005 CEILING	FISCAL YEAR 2006 CEILING	PERCENT CHANGE
BALTIMORE	\$61.55	\$66.00	+7.2%
WASHINGTON	63.82	70.97	+11.2%
NON-METRO	54.37	59.55	+9.5%

These changes reflect the combined impact of providers' Fiscal Year 2004 costs and inflation indexes. The efficiency allowance in this cost center is 40 percent of the difference between the provider's cost and the ceiling, with a maximum efficiency payment of 10 percent of the ceiling.

VII. Other Patient Care Cost Center

Fiscal Year 2006 ceilings are set at 118 percent of the median day cost and have changed as follows:

REGION	FISCAL YEAR 2005 CEILING	FISCAL YEAR 2006 CEILING	PERCENT CHANGE
BALTIMORE	\$14.05	\$14.63	+4.1%
WASHINGTON	14.36	15.48	+7.8%
NON-METRO	13.90	14.27	+2.7%

These changes reflect the combined impact of providers' Fiscal Year 2004 costs and inflation indexes. The efficiency allowance in this cost center is 25 percent of the difference between the provider's cost and the ceiling, with a maximum efficiency payment of 5 percent of the ceiling.

VIII. Therapy Services Cost Center

Physical, occupational and speech therapy rates have increased by approximately 3.5 percent. A list of regional therapy rates is attached.

IX. Capital Cost Center

For Fiscal Year 2006 rate setting, facility appraisals have been indexed as follows:

	MAR 2002	MAR 2003	MAR 2004	MAR 2005
LAND	1.1217	1.0906	1.0568	1.0239
BUILD	1.2757	1.2604	1.1754	1.0677
EQUIP	1.1695	1.1493	1.1282	1.0443

The Fiscal Year 2006 appraisal limit is \$61,483.32/bed, an increase of 13.2 percent. The Fiscal Year 2006 equipment allowance is \$5,427.75/bed, an increase of 11.3 percent. These increases are due to continued high Marshall and Swift building and equipment indexes.

The Fiscal Year 2006 Capital Rental Rate is 7.82 percent.

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Any questions regarding this transmittal or the rates on the enclosed listings should be directed to the Nursing Home Section of the Division of Long Term Care Services at (410) 767-1736.

SJT/seh
Enclosures

cc: Nursing Home Liaison Committee

FISCAL YEAR 2006 NURSING SERVICE RATES

Effective July 1, 2005

PATIENT CLASSIFICATION OR NURSING PROCEDURE	BALT	WASH	NON METRO	CENTRAL	WEST MD
LIGHT CARE	63.45	62.97	59.79	64.00	58.06
MODERATE CARE	91.56	91.70	86.34	92.97	85.19
HEAVY CARE	111.43	111.27	105.05	112.81	103.33
HEAVY SPECIAL CARE	112.48	112.32	106.04	113.87	104.30
DECUBITUS CARE – MEDICARE	10.27	9.63	9.45	9.84	8.43
DECUBITUS CARE – MEDICAID	11.06	10.42	10.24	10.63	9.22
CLASS A SUPPORT SURFACE	23.13	23.13	23.13	23.13	23.13
CLASS B SUPPORT SURFACE	92.14	92.14	92.14	92.14	92.14
COMMUNICABLE DISEASE CARE – LEVEL I	132.54	131.16	123.72	133.82	120.47
CENTRAL INTRAVENOUS LINE	27.43	26.46	24.09	26.95	22.24
PERIPHERAL INTRAVENOUS CARE	55.06	52.18	49.80	53.26	45.00
TUBE FEEDING – MEDICARE	20.37	19.08	18.77	19.51	16.73
TUBE FEEDING – MEDICAID	24.69	23.40	23.09	23.83	21.05
VENTILATOR CARE	429.11	414.82	402.66	420.20	378.83
TURNING & POSITIONING	8.21	8.60	7.90	8.66	8.40
AEROSOL OXYGEN THERAPY	5.94	5.56	5.48	5.68	4.88
SUCTIONING	13.58	12.68	12.57	12.97	11.17

FISCAL YEAR 2006 THERAPY SERVICE RATES

Effective July 1, 2005

THERAPY RATES ARE PER 15 MINUTE UNITS

REGION	PHYSICAL	OCCUPATIONAL	SPEECH
BALTO	18.35	17.43	16.78
WASH	19.27	18.33	17.66
NON METRO	17.47	16.58	15.96